

Ref-LTF/ SE/ 2022-23/

Date: 01<sup>st</sup> March, 2023

To,

**The Bombay Stock Exchange (BSE Limited)**  
**Phiroze Jeejeebhoy Towers**  
**Dalal Street, Mumbai- 400 001**

**National Stock Exchange of India Ltd.**  
**Exchange Plaza, C-1, Block G,**  
**Bandra Kurla Complex,**  
**Bandra (E), Mumbai – 400 051**

**Subject: Disclosure pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Credit Rating Information - Long-term rating upgraded to 'CRISIL A+/Stable'; Short-term rating reaffirmed.**

**Ref. Code: 532783. Scrip ID: DAAWAT**

Dear Sir / Madam,

This is with reference to earlier announcement given in pursuant to Regulation 30 read with Part A of Schedule Ill of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we wish to inform you **Credit Rating Information** that **Long-term rating upgraded to 'CRISIL A+/Stable'; Short-term rating reaffirmed** as per below:

Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs. 880 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL A+/Stable (Upgraded from 'CRISIL A/Positive')</b>
<b>Short Term Rating</b>	<b>CRISIL A1 (Reaffirmed)</b>

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings

1 Crore = 10 million

A copy of press release issued by CRISIL is attached herewith. The same can also be assessed at:

[https://www.crisilratings.com/mnt/winshare/Ratings/RatingList/RatingDocs/LTFoodsLimited\\_February%2028,%202023\\_RR\\_306830.html](https://www.crisilratings.com/mnt/winshare/Ratings/RatingList/RatingDocs/LTFoodsLimited_February%2028,%202023_RR_306830.html)

You are requested to take the same on your record.

Thanking You,

Yours truly,

**For LT Foods Limited**

**Monika Chawla Jaggia**  
**Company Secretary**  
Membership No. F5150

Enclosure: As above

**Rating Rationale**

February 28, 2023 | Mumbai

**LT Foods Limited**

Long-term rating upgraded to 'CRISIL A+/Stable'; Short-term rating reaffirmed

**Rating Action**

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.880 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL A+/Stable (Upgraded from 'CRISIL A/Positive')</b>
<b>Short Term Rating</b>	<b>CRISIL A1 (Reaffirmed)</b>

*Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

*1 crore = 10 million*

*Refer to Annexure for Details of Instruments & Bank Facilities*

**Detailed Rationale**

CRISIL Ratings has upgraded ratings on the long-term bank facilities of LT Foods Limited (LTF; a part of the LT group) to 'CRISIL A+/Stable' from 'CRISIL A/Positive' and has reaffirmed the short-term rating at 'CRISIL A1'.

The rating upgrade reflects continuous improvement in the LT group's business risk profile backed by group's strong market position in the basmati rice industry, healthy brand recall, diversified geographical presence in 60plus countries, established marketing network and robust financial risk profile. Operating income increased to Rs.5114 crore in the first nine months of fiscal 2023 from Rs 3,901 crore in the corresponding period of fiscal 2022 and is expected to be more than Rs. 6500 cr. for the full fiscal 2023, the growth is driven by both increased volumes and improved price realisation. Moreover the healthy revenue growth is supported across all product segments (basmati rice and other specialty rice segment, organic and health & convenience segment); However, the operating margin (earnings before income, depreciation, tax and amortisation [EBIDTA] margin) declined to 9.86% in 9MFY23 from 11.38 from the 9MFY22 primarily due to the increase in the freight cost which has increased exponentially in FY22 and some part of FY23 as well and increase in the input cost. Operating profitability is expected to sustain at around 11% supported by stabilisation in the overall freight cost and continuous healthy realization in basmati rice segment backed by better bargaining power with brands such as Daawat and Royal

The rating also reflects continuous improvement in the financial and liquidity risk profiles of the group, reflected by debt-to-EBIDTA ratio of ~1.8 times as on Sep 2022 and 1.65 times as on FY 22; the ratio is expected at 1.6-1.8 times over the medium term despite increase in revenue, backed by the reducing dependency on working capital debt and absence of any large, debt-funded capital expenditure (capex). Liquidity is supported by robust cash accrual and healthy unencumbered cash and bank balance of Rs 39 crore as on September 30, 2022.

The ratings continues to reflect strong market position in the basmati rice industry, diversified geographical reach through strong brands (Daawat in the domestic market and Royal in the US market), established marketing network along with product Diversification and improving financial risk profile. These strengths are partially offset by susceptibility to volatile raw material prices, changes in trade policies of key importing countries and high working capital intensity in the basmati rice business.

**Analytical Approach**

CRISIL Ratings has combined the business and financial risk profiles of LTF and its majority-owned subsidiaries, Daawat Foods Ltd (DFL), Nature Bio Foods Ltd (NBFL) and Raghunath Agro Industries Pvt Ltd (RAIPL) and other step down subsidiaries. This is because all these companies, collectively referred to as the LT group, operate in the same line of business and have significant financial linkages and are majorly owned by LTF.

*Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.*

**Key Rating Drivers & Detailed Description**

**Strengths:**

**Established market position and track record in the basmati rice industry.**

The five-decade experience of the promoters in the rice industry and established market position of the group as one of the top two players in the domestic basmati rice industry led to consolidated turnover rising to Rs.5440 crore in fiscal 2022 from Rs 4,678 crore in fiscal 2021. In 9MFY23 company has grown to Rs. 5114 cr. (In 9MFY22Rs. 3901 cr.), the growth is driven by increase in the volume growth and higher price realisation because of strong brand position in domestic and exports markets especially in USA and Europe.

The group operates across all channels such as general trade, modern trade, hotel/restaurant/cafe, and e-commerce through 1200+ distributors and 1,52,000+ retail outlets in India and 100+ distributors in the international market. Strong distribution and procurement networks, growing branded business and longstanding relationships with key importers and customers should continue to support the business.

**Geographically diversified revenue profile with strong brand portfolio and Growing Product Diversification**

The LT group is a globally reputed player in the rice industry, with established market presence across 60+ countries. It has strong brand portfolio with Daawat being the most prominent brand in the domestic market. The group generates majority of its revenue exports market, commanding a leading position in in USA and European market while the balance is contributed by countries in the Middle East, the Far East, among others.

While the company is largely a basmati player, it has diversified into organic and rice-based health and convenience foods, which have growth and margin potential. The revenue contribution from basmati rice reduced to 79% during FY22 (FY21: 86%), owing to growth in organic and convenience and health segments. Organic business is continuing on the path of strong growth and registered a CAGR of 18% over last 4 years. Further, growth in organic business should lead to higher consolidated revenue over medium term and remains key monitorable factor.

**Improving financial risk profile:**

The capital structure is likely to remain supported by continuous reduction in debt and the absence of any large, debt-funded capex. LT group was able to grow the business from FY15 to FY22 with lower proportion of total debt, indicating improving sales efficiency and lower leverage. LT's group dependency on debt levels has reduced y-o-y. Group's 80-85% of debt primarily comprises of short-term debt (working capital borrowings) required for stocking-up of paddy and seasonality in nature of business. Debt to EBITDA of the company has been continuously improving. In FY22 the ratio has improved to 1.65 times from 2.25 times in previous fiscal. In FY23 the Debt to EBIDTA is expected to remain in the similar range of 1.60-180 times. Debt protection metrics have strengthened, with interest coverage ratio of 6.85 times in fiscal 2022, which improved from 5.25 times in fiscal 2022; the ratio is expected at more than 7.5 times in fiscal 2023. Net cash accrual to adjusted debt ratio was 0.38 time in fiscal 2022 and is expected to be more than 0.45 times in FY23 owing to steady rise in profitability.

**Weaknesses:**

**High working capital intensity in basmati rice business:**

The working capital cycle may remain stretched, commensurate with increase in scale of operations and sizeable inventory procured at year end. Gross current assets (GCAs) were high at 209 days as on March 31, 2022, driven by inventory of 179 days (as paddy and rice are stocked up during the peak season of procurement, which begins in the third quarter of every fiscal) and moderate debtors of 42 days. GCAs, inventory and debtors are projected at 220-240 days, 180-200 days and 40-60 days, respectively, as on March 31, 2023. Payables have been low at 71 days and 57 days, respectively, as on March 31, 2022, and March 31, 2021.

**Susceptibility to volatile raw material prices and changes in trade policies of key importing countries**

The raw material (paddy) constitutes 80-85% of sales cost and its prices directly impact operating profitability. The group usually enters into an understanding with customers for supply of rice, though this is not binding. Hence, exposure to risks

related to any steep variation in paddy prices, subsequent to procurement, remains high. Additionally, the group is exposed to changes in the trade policies of the countries where basmati rice is exported. However, strong brands along with well-diversified geographical reach and sourcing capabilities help mitigate this risk and maintain profitability. The operating profitability margin is projected at around 10-11% in fiscal 2023 because of increasing contribution from branded products and expected reduction in freight cost over the medium term.

#### **Liquidity: Strong**

Liquidity should remain supported by the ample surplus available in cash accrual and bank lines. Cash accrual is projected at more than Rs 450-500 crore each for fiscals 2023, 2024, sufficient to meet the yearly debt obligation of Rs.30-45 crore. Bank limit utilisation was low, at 42% on average for the 12 months through December 2022. Current ratio was healthy at 1.79 times on March 31, 2022. The group accumulates cash and maintains it as fixed deposits with banks. Cash and cash equivalent were Rs 39 crore as on Sep 30, 2022. Low gearing and moderate networth should continue to aid financial flexibility.

#### **Outlook: Stable**

The LT group will continue to benefit from established market position, strong brands, diverse geographical presence in the basmati rice industry and comfortable financial risk profile.

#### **Rating Sensitivity factors**

##### **Upward Factors:**

\* Steady revenue growth on y-o-y basis driven by increase in the revenue share of other product segment (organic and health & convenience segment) along with improved operating profitability to 12% on a sustainable basis, leading to healthy cash generation.

\* Prudent working capital management with sustained Gross Current Asset days (GCA days) 200-220 days and sustained financial risk profile with debt to EBITDA maintained below 1.80 times.

##### **Downward Factors:**

\* Substantial decline in scale of operations or decline in operating probability below 9% leading to lower than anticipated cash accrual generation.

\* Large debt-funded capital expenditure, or acquisition or substantial increase in working capital cycle weakening the financial risk profile with Debt-to-EBITDA ratio increasing above 2.2 times over the medium term

#### **About the Company**

LTF was established in 1990 by the Amritsar-based Arora family. It mills, processes, and markets rice (largely basmati). The company has established brands such as Daawat, Royal, Devaaya, Rozana, Heritage, and Chef's Secretz, varying from basic to premium quality, both in the domestic and overseas markets. It has facilities in Haryana, Punjab, and Madhya Pradesh, with combined milling capacity of 106 tonne per hour (tph) and individual capacity of 58 tph.

#### **About the Group**

Incorporated in May 2006, DFL is a wholly owned subsidiary of LTF. DFL processes and markets basmati rice at its unit in Mandideep (Bhopal), with installed capacity of 36 tph.

NBFL, established in 2007, is a majority-owned subsidiary of LTF. The company deals in organic basmati rice, non-basmati rice, soya, pulses, spices, rice flour, wheat flour and miscellaneous agricultural commodities. It sells locally under the brand, Ecolife, while exports are mainly as ingredients. It has capacity of 6 tph in Sonipat, Haryana. NBFL recently acquired 30% stake in Leev, an organic specialty food company based in Netherlands, with an option of increasing its stake by 21% at the end of five years.

RAIPL, processes rice at its facility in Amritsar with capacity of 6 tph. It produces raw and parboiled rice under brands such as Devaya, Rozana, and Chef's Secretz. It is a majority-owned subsidiary of LTF, which has shareholding of 96%; the remaining is held by DFL.

#### **Key Financial Indicators**

As on / for the period ended March 31		9MFY23	2022	2021
Operating income	Rs crore	5114.42	5440	4678
Reported profit after tax	Rs crore	290.94	309.20	289.08
PAT margins	%	5.69%	5.68	6.18
Adjusted Debt/Adjusted Net worth	Times	-	0.51	0.71
Interest coverage	Times	-	6.8	5.2

**Any other information:** Not applicable

#### **Note on complexity levels of the rated instrument:**

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments.

#### **Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Letter of credit & Bank Guarantee	NA	NA	NA	103	NA	CRISIL A1
NA	Proposed Letter of Credit & Bank Guarantee	NA	NA	NA	80	NA	CRISIL A1
NA	Working Capital Facility	NA	NA	NA	697	NA	CRISIL A+/Stable

#### **Annexure - List of entities consolidated**

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
DFL	Full consolidation	Same business and fungible cash flows
SDC Foods India Ltd	Full consolidation	Same business and fungible cash flows
L T International Ltd	Full consolidation	Same business and fungible cash flows
LT Overseas North America Inc.	Full consolidation	Same business and fungible cash flows
Sona Global Ltd	Full consolidation	Same business and fungible cash flows
Raghuvesh Foods & Infrastructure Ltd	Full consolidation	Same business and fungible cash flows
LT Foods International Ltd	Full consolidation	Same business and fungible cash flows
NBFL	Full consolidation	Same business and fungible cash flows
LT Agri Services Pvt Ltd	Full consolidation	Same business and fungible cash flows
LT Foods USA LLC	Full consolidation	Same business and fungible cash flows
LT Foods Middle East DMCC	Full consolidation	Same business and fungible cash flows
Universal Traders Inc.	Full consolidation	Same business and fungible cash flows
Expo Services Pvt Ltd	Full consolidation	Same business and fungible cash flows
Fresco Fruits N Nuts Pvt Ltd	Full consolidation	Same business and fungible cash flows
LT Foods Europe B.V.	Full consolidation	Same business and fungible cash flows
LT Foods Americas, Inc.	Full consolidation	Same business and fungible cash flows
RAIPL	Full consolidation	Same business and fungible cash flows
Deva Singh Sham Singh Export Pvt Ltd	Full consolidation	Same business and fungible cash flows
Daawat Kameda (India) Pvt Ltd	Full consolidation	Same business and fungible cash flows
Nature Bio-Foods B.V.	Full consolidation	Same business and fungible cash flows
Nature Bio Foods Inc.	Full consolidation	Same business and fungible cash flows

**Annexure - Rating History for last 3 Years**

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	697.0	CRISIL A+/Stable		--	30-04-22	CRISIL A/Positive	26-08-21	CRISIL A/Stable	18-12-20	CRISIL A-/Positive	CRISIL A-/Positive
			--	--	--	16-03-22	CRISIL A/Positive	02-03-21	CRISIL A/Stable	29-04-20	CRISIL A-/Stable	CRISIL A-/Positive
			--	--	--	17-02-22	CRISIL A/Positive		--	24-03-20	CRISIL A-/Stable	--
Non-Fund Based Facilities	ST	183.0	CRISIL A1		--	30-04-22	CRISIL A1	26-08-21	CRISIL A1	18-12-20	CRISIL A2+	CRISIL A2+
			--	--	--	16-03-22	CRISIL A1	02-03-21	CRISIL A1	29-04-20	CRISIL A2+	CRISIL A2+
			--	--	--	17-02-22	CRISIL A1		--	24-03-20	CRISIL A2+	--

All amounts are in Rs.Cr.

**Annexure - Details of Bank Lenders & Facilities**

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Letter of credit & Bank Guarantee	15	Doha Bank	CRISIL A1
Letter of credit & Bank Guarantee	30	The Federal Bank Limited	CRISIL A1
Letter of credit & Bank Guarantee	15	IndusInd Bank Limited	CRISIL A1
Letter of credit & Bank Guarantee	10	ICICI Bank Limited	CRISIL A1
Letter of credit & Bank Guarantee	5	CTBC Bank Co Limited	CRISIL A1
Letter of credit & Bank Guarantee	3	Kotak Mahindra Bank Limited	CRISIL A1
Letter of credit & Bank Guarantee	6	State Bank of India	CRISIL A1
Letter of credit & Bank Guarantee	9	Punjab National Bank	CRISIL A1
Letter of credit & Bank Guarantee	10	HDFC Bank Limited	CRISIL A1
Proposed Letter of Credit & Bank Guarantee	80	Not Applicable	CRISIL A1
Working Capital Facility	77	IndusInd Bank Limited	CRISIL A+/Stable
Working Capital Facility	20	The Federal Bank Limited	CRISIL A+/Stable
Working Capital Facility	84	State Bank of India	CRISIL A+/Stable
Working Capital Facility	40	Kotak Mahindra Bank Limited	CRISIL A+/Stable
Working Capital Facility	80	HDFC Bank Limited	CRISIL A+/Stable
Working Capital Facility	40	Qatar National Bank (Q.P.S.C.)	CRISIL A+/Stable
Working Capital Facility	29	CTBC Bank Co Limited	CRISIL A+/Stable
Working Capital Facility	50	Doha Bank	CRISIL A+/Stable
Working Capital Facility	80	Union Bank of India	CRISIL A+/Stable
Working Capital Facility	172	Punjab National Bank	CRISIL A+/Stable
Working Capital Facility	25	ICICI Bank Limited	CRISIL A+/Stable

This Annexure has been updated on 28-Feb-2023 in line with the lender-wise facility details as on 02-Aug-2021 received from the rated entity.

**Criteria Details**
**Links to related criteria**

- [CRISILs Approach to Financial Ratios](#)
- [Rating criteria for manufacturing and service sector companies](#)
- [CRISILs Bank Loan Ratings - process, scale and default recognition](#)
- [CRISILs Criteria for rating short term debt](#)
- [CRISILs Criteria for Consolidation](#)
- [Understanding CRISILs Ratings and Rating Scales](#)

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